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March 14, 2016

TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: John Naimo 
Auditor-Controller

SUBJECT: **HILLSIDES - A DEPARTMENT OF CHILDREN AND FAMILY SERVICES
RESIDENTIALLY BASED SERVICES PROGRAM PROVIDER - FISCAL
COMPLIANCE REVIEW**

We completed a fiscal compliance review of Hillside (Hillside or Agency), which included a sample of transactions from Program Year (PY) 2013-14. The Department of Children and Family Services (DCFS) contracts with Hillside to provide the Residentially Based Services (RBS) Program to children placed in Rate Classification Level 12 or 14 Group Homes and their families, including intensive mental health treatments, family reunification, and the Wraparound Approach Services, to shorten their stay in Group Homes and obtain permanency.

The purpose of our review was to determine whether Hillside appropriately accounted for and spent RBS Program funds to provide the services outlined in their County contract. We also evaluated the Agency's financial records, internal controls, and compliance with their County contract and applicable guidelines.

DCFS paid Hillside approximately \$2.5 million on a fee-for-service basis for PY 2013-14. Hillside provides services to residents of the Fifth Supervisorial District.

Results of Review

Hillside maintained adequate controls over their cash and fixed assets, developed their Cost Allocation Plan using an appropriate cost allocation methodology, allocated shared costs appropriately, and maintained documentation to support the RBS Program

expenditures reviewed. In addition, Hillside maintained a time study as required by the State.

Details of our review are attached (Attachment).

Review of Report

We discussed our report with Hillside and DCFS. Hillside is not required to submit a response to this report because there are no findings or recommendations.

We thank Hillside management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:PH:DC:EB:sk

Attachment

c: Sachi A. Hamai, Chief Executive Officer
Philip L. Browning, Director, Department of Children and Family Services
Brent M. Mason, Board Chair, Hillside
Joseph M. Costa, Chief Executive Officer, Hillside
Public Information Office
Audit Committee

**HILLSIDES
RESIDENTIALLY BASED SERVICES PROGRAM
FISCAL COMPLIANCE REVIEW
PROGRAM YEAR 2013-14**

CASH/REVENUE

Objective

Determine whether Hillside (Hillside or Agency) properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and if bank account reconciliations were reviewed and approved by Agency management in a timely manner.

Verification

We interviewed Hillside's personnel, and reviewed their financial records and November 2014 bank reconciliations for two bank accounts.

Results

Hillside properly recorded revenue in their financial records and deposited their Department of Children and Family Services (DCFS) cash receipts timely. In addition, bank reconciliations were reviewed and approved by Agency management.

Recommendation

None.

COST ALLOCATION PLAN/EXPENDITURES

Objective

Determine whether Hillside developed their Cost Allocation Plan (Plan) using an appropriate cost allocation methodology, and if expenditures charged to the Residentially Based Services (RBS) Program were allowable, properly documented, and appropriately allocated.

Verification

We interviewed Hillside's personnel, and reviewed their Plan and financial records for 31 non-payroll expenditures, totaling \$107,262, that the Agency charged to the RBS Program from December 2013 through December 2014.

Results

Hillsides developed their Plan using an appropriate cost allocation methodology, allocated shared costs appropriately, and maintained documentation to support the RBS Program expenditures reviewed.

Recommendation

None.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether Hillsides' fixed assets and equipment purchased with RBS Program funds were used for the appropriate Program and adequately safeguarded.

Verification

We interviewed Hillsides' personnel, and reviewed their fixed assets and equipment inventory list. We also performed a physical inventory of seven items purchased with RBS Program funds to verify the items exist and were being used for the RBS Program.

Results

Hillsides adequately safeguarded and used the items reviewed for the RBS Program.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether Hillsides charged payroll expenditures to the RBS Program appropriately, and maintained a time study and personnel files as required.

Verification

We compared the payroll expenditures for 15 employees, totaling \$20,003 for November 2014, to the Agency's payroll records and time reports. We also interviewed employees, and reviewed personnel files for the 15 employees.

Results

Hillsides appropriately charged payroll expenditures to the RBS Program, and maintained a time study and personnel files as required.

Recommendation

None.

ENCRYPTION CONTROLS**Objective**

Determine whether Hillsides maintained encryption software to protect confidential and Personally Identifiable Information (PII).

Verification

We interviewed Hillsides' personnel, reviewed their policies and procedures, and performed a physical inventory of two electronic devices to ensure they had encryption software that was enabled to prevent unauthorized access and use.

Results

Hillsides maintained encryption software to protect PII.

Recommendation

None.

SEMI-ANNUAL EXPENDITURE REPORTS**Objective**

Determine whether Hillsides' Program Year (PY) 2013-14 RBS Semi-Annual Expenditure Reports reconciled to their financial records.

Verification

We compared the Agency's PY 2013-14 RBS Semi-Annual Expenditure Reports to their financial records.

Results

Hillsides' PY 2013-14 Semi-Annual Expenditure Reports reconciled to their financial records.

Recommendation

None.